

INNOVATIONS

Ethanol Industry Growing in Missouri

Nov/Dec 2001

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(Photo courtesy of Northeast Missouri Grain Processors, LLC)

Missouri's two existing ethanol plants, Northeast Missouri Grain Processors, LLC in Macon and Golden Triangle Energy Cooperative in Craig, may soon be joined by other ethanol plants in the state. The Missouri Corn Growers Association, on August 31, 2001, unveiled a statewide ethanol study that assessed the future opportunities for corn-based ethanol production in Missouri. The study, completed by SJH & Company of Boston, indicated "Missouri can reasonably support approximately 150 million gallons of ethanol production with current market conditions." The state currently produces about 40 million gallons annually.

The study analyzed Missouri's competitive position in the ethanol industry, including how many gallons of total production the state could reasonably support, potential locations for future plants, and factors affecting the future growth of ethanol production.

A web-based financial template, designed by CoBank Business Advisory Services of Denver, Colorado, was offered as part of the study to assist producers with establishing an ethanol plant. The template will allow producers to input market conditions, transportation assets, grain supply and energy costs, among other variables, to assess the financial viability of a proposed ethanol plant. SJH & Company expects to have the next phase of the corn study, an assessment of additional processing and marketing opportunities for Missouri corn producers, by January 2002.

The Missouri Corn Growers Association received financial support for both studies from the Missouri Agriculture and Small Business Development Authority, the Missouri Department of Agriculture and USDA Rural Development.

In other ethanol news...Members of Northeast Missouri Grain Processors, LLC recently elected to double its ethanol production with plant expansion expected in Spring 2002. SEMO Ethanol in Malden is currently raising equity from producers in the Bootheel to build a 15 million gallon plant. East Central Agriculture Products, with producer members in Audrain and surrounding counties, is in the planning stage and is currently completing its business plan and identifying site locations for its facility.

ETHANOL RESOURCES

Northeast Missouri Grain Processors, LLC
www.nemog.com

Golden Triangle Energy Cooperative
www.goldentriangleenergy.com/

National Corn Growers Association ethanol resources
www.ncga.com/ethanol/main/index.htm

Missouri Corn Growers Association
For information about the ethanol study or to access the pre-feasibility study, contact Jamey Cline, value enhancement director, at 573-893-4181. The pre-feasibility study and other ethanol resources are available online at www.mocorn.org/ethanol.htm

Iowa Ethanol Resource Manual
www.iowaagopportunity.org/ethanolmanual/index.html

American Coalition for Ethanol
<http://www.ethanol.org/>

Ag Innovation Center
Call Deanne Hackman at 1-866-INOVATE or 573-522-3454.



AGRICULTURE INNOVATION CENTER

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(1-866-466-8283)

The Agriculture Innovation Center, housed in the Missouri Department of Agriculture, helps Missourians start and expand agriculture-based businesses. From idea to implementation, we can provide you with the information and assistance you need to build a successful venture.

Value-Added Grants Program Benefits Ag Entrepreneurs Statewide

Have a great product idea but not sure if it is marketable?

The Missouri Value-Added Grant Program, administered by the Missouri Agricultural and Small Business Development Authority (MASBDA), provides financial assistance for costs related to the start-up of value-added agriculture businesses. The program funds feasibility studies, attorney fees, consultant fees, engineering costs, and other expenses associated with value-added projects.

To date, MASBDA has allocated nearly \$3 million towards new value-added agriculture businesses across the state. From Portageville to Oregon, small and large communities alike have benefited from new value added agriculture businesses.

The products and projects are as varied as Missouri's agriculture and represent a cross-section of agricultural products found across the state. The projects range from local to international in scope, but common to all is that innovative Missourians are transforming Missouri commodities and byproducts into value added products that benefit everyone in the state. A few of the projects funded include:

- The **Missouri Northern Pecan Growers LLC** will package and process Missouri pecans into a retail product distinctive from "southern pecans." Missouri pecans are typically blended with southern pecans and marketed under a different label. Soon consumers will have option of purchasing "Missouri Northern Pecans."
- **River Hills Retail Meat** Project, Perryville, will market and retail locally produced beef under a branded, identity-preserved label, giving local retail consumers a new option.
- **Central Missouri Meat Producers and Processors**, Bonnots Mill, is a coalition of producers assessing the opportunity to turn offal into a variety of products, including pet food ingredients, pet treats, livestock feed ingredient or an organic fertilizer.

- **Missouri Stave Inc.**, Brighton, is trying to establish an international market for its by-products by repackaging and labeling them for new uses.
- **Midwest Family Farms LLC**, Garden City, is working with Neco Seeds to establish new overseas markets for Bill Cook's "Big Bubba" tofu soybeans. This group of producers is marketing the edible beans to tofu makers in Asian nations.
- **Missouri Biodiesel Working Group**, based in Chesterfield, is assessing the feasibility of transforming soy oil and cooking oil waste into biodiesel, a clean-burning renewable fuel which could help air quality problem areas meet emissions standards.
- **Central Missouri Poultry Producers**, California, is making headway in their attempt to transform poultry waste into a soil amendment. The growers hope to be able to use digesters to transform their waste into a valuable fertilizer product.
- **Ancell Enterprises Inc.**, Joplin, is working on a similar project. This company is researching the feasibility of transforming poultry waste into a feed product. Ancell Enterprises, Inc. and the Poultry Science Department at Crowder College are assessing the feasibility of using a digester process for manufacturing by-products from the processing plants into ingredients for chicken feed.
- **E & E Kitchen LLC**, Middletown, has test marketed cooked beef products in the St. Louis region. They have also assessed marketing options, such as retail sales and establishing relationships with institutional buyers for their quality canned beef products.

MASBDA Programs

In addition to the Value-Added Grants Program, the Missouri Agriculture and Small Business Development Authority provides New Generation Cooperative Tax Credits to qualifying value-added agriculture projects and administers the Value-Added Agriculture Loan Guarantee Program. For more information, call MASBDA at 573-751-2129.

New State-University Partnership to Benefit Ag Entrepreneurs



Visit the MoBDN website:

www.missouribusiness.net

The Missouri Department of Agriculture is a partner in the **Missouri Business Development Network**, an alliance of state-funded institutions that provide assistance to entrepreneurs. A memorandum of understanding between the Missouri Department of Agriculture, the Missouri Department of Economic Development, and University of Missouri Outreach/Extension was signed in late May and unveiled at the Governor's Conference on Economic Development.

This partnership benefits agricultural producers by providing easy access to general business start-up information and assistance, particularly in the areas of business and financial planning.

Director of Agriculture Lowell Mohler will represent the Department of Agriculture on the Advisory Board. Gordon Spilker, a Northeast Missouri farmer who also sits on the board of the Northeast Missouri Grain Processors, LLC, is a member of the Advisory Board. Peter Hofherr, deputy director of the Missouri Department of Agriculture, is an ex-officio member of the board.

"In Missouri, we have recognized the importance of adding value to Missouri's agricultural products by creating the Ag Innovation Center, which helps producers develop new and innovative ways to raise and market their goods," said Mohler. "The Missouri Business Development Network will take this initiative another step forward and will provide an effective and efficient means of assistance to rural Missourians."

Ag Innovation Center staff members are actively involved in developing the network:

- Deanne Hackman, director, serves on the Leadership Team, which provides day-to-day leadership and administration;
- Sarah Shultz, business information specialist, serves on the Pre-Business Planning and Assessment Work Group, which will develop a common assessment tool to use in identifying clients' business assistance needs;
- Lauri Garman, business information specialist, serves on the Marketing Work Group and will help in developing marketing resources and training; and
- Allan Benjamin, business information specialist, serves on the Capitalization Work Group and will assist in developing capitalization resources and training.

Need Help Writing A Business Plan? NxLevel™ Courses Offered Across Missouri

A written business plan is an important tool for enhancing farm profitability and can help producers determine how new ideas can be incorporated into existing farming operations. NxLevel™ "Tilling the Soil of Opportunity" is a course offered throughout Missouri to assist producers in writing a business plan.

"I went from knowing nothing about business to understanding my financial position," remarked Macon farmer Larry Kieffer after attending the NxLevel™ "Tilling the Soil of Opportunity" course taught by Jane Vanderham, director of the Thomas Hill Enterprise Center, with offices in Macon and Columbia.

Larry and other producers interested in opening a poultry processing facility worked on business plans for their individual farms as well as a joint business plan for the processing facility.

"Tilling the Soil" is designed for agricultural entrepreneurs wanting to reinvent their farming operation or enhance current market opportunities. Each student is encouraged to complete a business plan, which includes a farm mission statement, goals, a marketing plan and a financial analysis of their operation. This 10-session course is typically offered over a 12-week period.

"Participants have a better understanding of why they must operate their family farms as a business," says Bob Wells, course instructor and University of Missouri Outreach and Extension farm management specialist, Pike County.

Participants in Bob's course wrote business plans for their own farming operations. After completing the course, one crop and livestock producer from Bob's class stated, "My annual planning process now has a new meaning and urgency."

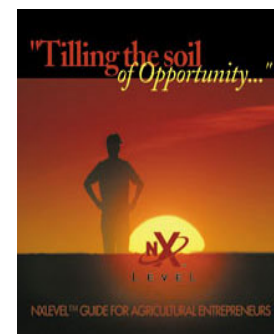
Currently, there are over 60 certified "Tilling the Soil"

instructors statewide. The Ag Innovation Center hosted a certification training in January 2001 for 48 people. The Small Business Development Centers held a second certification training in August 2001. Attendees have included employees of the Missouri Department of Agriculture, Department of Economic Development, Small Business Development Centers, University of Missouri Outreach/Extension, farm organizations, commodity organizations, and adult agriculture educators.

The "Tilling the Soil" course will be taught across the state this fall. If you are interested in

attending or hosting a NxLevel™ "Tilling the Soil of Opportunity" course, please contact Chris Bouchard at (573) 882-1332 or BouchardC@missouri.edu. Also check the Small Business Development Center website for a listing of dates, instructors, and locations:

www.mo-sbdc.org/nxlevel.shtml



Selling local products in wholesale markets

While the idea of selling to wholesale markets is relatively new in Missouri, hospitals, restaurants and institutions offer increasing market opportunities for Missouri producers. Understanding the dynamics of this market can better position a producer to succeed.

Local Foods Meals

AIC can help you coordinate local foods meals for conferences throughout Missouri. Through these meals, chefs are given the opportunity to work with fresh, local foods, producers are given the opportunity to sell in a wholesale market and attendees are given the opportunity to learn more about Missouri foods. A 'Chef's List' of available foods is compiled and sent to the chef and a menu is created. A typical list includes dairy, bakery items, produce, meats, poultry, fish, honey and processed foods. At conferences ranging in size from 80 – 1,000 attendees, menu cards highlighting the participating producers are placed at each table setting. Any producer interested in learning more about the program is encouraged to contact Lauri Garman, 573-522-9214 or 866-466-8283.

What are the characteristics of a wholesale market? A wholesale price typically runs 30 to 40 percent less than a retail price, with specialty items for a restaurant commanding higher prices. A wholesale market offers the opportunity to sell large quantities to a few customers as opposed to retail marketing which typically involves small quantities to many customers. As a result, the producer realizes reduced labor and transportation costs.

Initially, there are several reasons institutions are reluctant to buy local foods:

- Food distributors make buying easy. Ordering is done online and many food items are pre-cleaned, pre-cut, pre-cooked and frozen.
- Food buyers don't have time to search out several local producers, determine availabilities and coordinate deliveries and payments.
- Institutions perceive buying local foods as being more expensive.
- A dietician or chef must revise recipes when using fresh foods, so food preparation time increases.
- Consistency in product size varies with local produce.
- Many local foods are seasonal.

Given these obstacles, why then do institutions buy local foods? Institutions feel a strong sense of community stewardship and look for opportunities to connect with their communities. Additionally, a growing number of food buyers and chefs want to know how, by whom and where the food they purchase is grown. Connecting with local producers not only builds these relationships, but also provides their customers with fresh, high quality foods.

Understanding the institutions' needs and concerns is key to developing a long-term relationship:

- Forming an alliance with other producers to market local foods reduces the time required of food buyers and chefs while supplying a diversity of foods to the institution.
- Case studies have shown that price is not higher when buying from a local producer. Some foods cost a little more, some a little less. Overall, prices average slightly less.
- Preparation time does increase with fresh foods. Kitchen staff may need to be educated on how to most efficiently prepare fresh foods.
- Inconsistent size is more common with local produce. Generally, understanding how the food is to be used and selling produce by the pound, not by the number, resolves these issues.
- Some local foods are seasonal; however, options exist for extending availability.

When buying local foods, institutions typically look for conventionally grown vegetables and fruits. Restaurants look for traditional and specialty vegetables, fruits, herbs, meats, and breads, either conventionally grown or organically grown. Whereas institutions work with two to three producers or producer groups who can supply a diverse array of foods, restaurants may be willing to work with more producers. Deliveries are once or twice a week on specific days. A purchase order is usually required and spells out the items to be purchased and price, but no quantities. Payment is four to six weeks after delivery. The selling of meats, poultry, eggs and processed foods falls under federal, state, county or city regulations, but selling unprocessed fruits and vegetables does not. In addition, many institutions require producers to carry liability insurance.

Market opportunities exist for selling local foods to hospitals, restaurants and institutions in Missouri. The Ag Innovation Center can help you identify potential opportunities and then develop and implement your business plan. For additional information on wholesale marketing opportunities, contact Lauri Garman at 573-522-9214 or Lauri_Garman@mail.mda.state.mo.us.

Understanding the institutions' needs and concerns is key to developing a long-term relationship:

Web Watch

USDA Rural Business-Cooperative Services

<http://www.rurdev.usda.gov/rbs/coops/csdir.htm>

This site provides information about USDA programs, technical assistance and publications relating to cooperatives. Be sure to look at USDA's guides for starting and managing a cooperative. The site also includes information reports and research reports relating to a variety of cooperative issues and contact information for cooperative development staff in each state.

Farmer Direct

Marketing Bibliography

<http://www.ams.usda.gov/directmarketing/bibliography.htm>

University of Wisconsin Center for Cooperatives

<http://www.wisc.edu/uwcc/>

This site provides a wide array of information related to cooperatives, including news stories about cooperatives world-wide, links to cooperatives and cooperative-related sites, and publications relating to cooperative start-up, governance, financing, theory and history.

Iowa Ag Opportunities

www.iowaagopportunity.org/

This site provides several comprehensive guides for value-added agriculture products, including pork processing and marketing, beef processing and marketing, ethanol production, and organic produce marketing.

Innovative Marketing Opportunities for Small Farmers: Local Schools as Customers

<http://www.ams.usda.gov/tmd/smlfarm.pdf>

Illinois Institute for Rural Affairs, Western Illinois University

<http://www.iira.org/>

This site has several publications relating to cooperatives available to download, including a directory of new generation cooperatives across the United States and a bibliography of cooperatives and cooperative development. The site also has many other resources related to rural development.

Ag Utilization Research Institute

www.auri.org/

This website, sponsored by the Agricultural Utilization Research Institute (AURI) in Minnesota, highlights ag innovations. Particularly interesting are the articles in *Ag Innovation News*.

Quentin Burdick Center for Cooperatives

www.ag.ndsu.nodak.edu/qbcc/index.htm

This is a good site for information relating to new generation cooperatives. Publications section includes economic impact, feasibility and marketing studies.

COMING SOON....

The Ag Innovation Center website will educate agricultural entrepreneurs about value-added agriculture opportunities and business development topics. The site will be unveiled in December at the Governor's Conference on Agriculture, December 16-18th. The website will be located at:
www.aginnovationcenter.org

Events Calendar

November 13th, 9-11 am:

Analyzing the Market for Value-Added Products

Sponsors: University of Missouri Value Added Development and Ag Innovation Center

Instructor: Don Senechal,

Principal with The Hale Group

and Senechal, Hale & Associates, Boston, Massachusetts.

Location: Live, interactive teleconference broadcast to eight sites statewide.

Origination site: University of Missouri Academic Support Center, Columbia

Topics: Market feasibility studies, investment analysis, market research & hiring outside expertise. Video of event will be available.

Call 1-866-INOVATE for info about downlink sites.

November 15-16th:

So You Want to Build an Ethanol Plant?

Sponsor: National Corn Growers Association

Location: Lincoln, Nebraska

For info, call 314-275-9915.

November 20th, 8:30 am – 12:00 Noon:

Capitalization III

Sponsor: Ag Innovation Center

Instructor: Michelle Mabry, Thomas Hill Enterprise Center

Location: Jefferson City

Call 1-866-INOVATE to RSVP.

November 21st, 1:00 – 4:00 pm:

Business Planning Basics

Instructor: Jane Vanderham Thomas Hill Enterprise Center

Location: Jefferson City

Call 1-866-INOVATE to RSVP.

December 4th:

Delta Entrepreneurial Agriculture Conference

Sponsors: University of Missouri Outreach/Extension, USDA/Rural Development, Missouri Dept of Agriculture, plus others

Location: Sikeston

Call 573-568-3344 for information.

December 6th, 11-2:

Legal Issues & Organizational Design for Value Added Ag Businesses

Instructor: Deanne Hackman, Ag Innovation Center

Topics: Organizational structures, incorporation requirements, contracts, and legal issues relating to raising money for value-added ventures.

Location: Jefferson City

Call 1-866-INOVATE to RSVP.

December 16-18th:

Governor's Conference on Agriculture

Sponsor: Missouri

Department of Agriculture

Location: Tan-Tar-A, Lake of the Ozarks

Call 1-877-398-3305 for information.

Special event at

Governor's Conference:

December 16th, 1- 3 pm:

Value-Added Seminar on Market Feasibility & Market Research

Sponsors: Ag Innovation Center and Missouri Enterprise

Topics: value-added agriculture opportunities, assessing feasibility of value-added projects & conducting market research.

Call 1-866-INOVATE for information.

In 2002...

February 6-7th:

Show-Me Ag Classic

Sponsors: Mo-Ag Industries, Missouri Corn Growers Association & Missouri Soybean Association

Location: Columbia

March 5th:

From Recipe to Reality: a course for food entrepreneurs

Sponsors: Ag Innovation Center, Missouri Value-Added Development Center and USDA/Rural Development

Location: Jefferson City

Call 1-866-INOVATE for information.

What is a New Generation Cooperative? A Primer for Missouri Producers

A New Generation Cooperative (NGC) is a relatively new type of cooperative used primarily in the value-added processing of agricultural commodities. First used in the upper Midwest in the early 1970s, the NGC organizational form became popular in the early- to mid-1990s for producers interested in collectively adding value to their commodities. The NGC model has since been used for hundreds of new cooperatives across the United States, but has not yet been used extensively in Missouri.

The NGC is not a specific legal structure. Rather, the term “New Generation Cooperative” is used to describe how a firm operates. It primarily describes the relationship between the firm and its members and how the firm is financed. Unlike traditional cooperatives, in which start-up expenses are minimal and growth is financed through members’ retained earnings, permanent equity to fund NGC start-up and growth is financed through the sale of delivery rights. These delivery rights represent a member’s right to deliver a specific amount of commodities to the cooperative. Members benefit in proportion to their use, and nearly all NGCs are democratically controlled through one member/one vote.

There are five primary characteristics of NGCs:

1. Defined Membership. Frequently, NGCs are referred to as “closed cooperatives.” However, “defined” is a more accurate term. The number of members in an NGC depends upon the proposed capacity of the cooperative’s operations. One of the key features of the NGC is its ability to control supply or access to the cooperative’s operations. In other types of cooperatives, members can enter and exit as they please, and cooperatives operating without marketing contracts with their members have no way to guarantee a specific operating capacity at any one time. By limiting membership to those members who purchase the right to supply the cooperative, the NGC is able to ensure a steady supply of the agricultural inputs required for running operations at the most efficient level possible. In an NGC, the membership is generally not permanently closed. If the cooperative decides to expand production, for example, it could seek equity from producers outside the initial membership.

2. Delivery Rights: A Right and an Obligation to Deliver. Once members contribute equity toward the NGC, they receive the right, as well as the obligation, to deliver a specific quantity of the commodity each year. This means if

producers have purchased the right to deliver 5,000 bushels of corn each year, they must deliver 5,000 bushels—no more, no less. If they cannot deliver that amount or if the commodity does not meet the quality standards set forth in the marketing agreement, the cooperative may have the right to buy the commodity on the producers’ behalf and charge for the difference in price.

3. Upfront Equity Required From Producers. Adding value to agricultural commodities can be capital-intensive. Before lending money to a project, banks and other lending institutions will require producers to raise part of the project cost. Often, this means producers must raise 50 percent or more of the total project cost. If the project is estimated to cost \$1million, for example, producers will need to raise \$500,000 or more. Although it may be possible to find private investors to reach the required equity level, producers are often the sole source of equity. As a way to tie members’ use to the total project equity required, the total amount to be raised is broken into smaller units. These units are tied to the amount of product required to be delivered. A market feasibility study will help determine the most economically efficient size for the processing facility. Once you know the amount of commodities the plant will require each year, you should then determine how to allocate this total amount into shares. For example, if the most efficient size plant requires one million bushels of soybeans a year, you should divide one million into a specific number of shares. To determine the specific number of shares, you should set minimum and maximum amounts of delivery rights to be purchased. To determine this, you need to balance two issues: how many producers do you want involved in the business and what is financially viable for you and other producers to commit.

Example: Assume on the \$1 million project above, producers need to raise \$500,000. If one million bushels a year are required to run the plant at the most efficient level, you could divide the number of bushels into a minimum delivery right purchase of 5,000 bushels and a maximum of 50,000 bushels. Thus, the cooperative could have as many as 200 members or as few as 20 members.

4. Delivery Rights are Transferable and May Fluctuate in Value. The delivery right is similar to a share of corporate stock because it represents a firm’s permanent equity. As with a share of corporate stock, the value of your delivery right will depend on your firm’s profitability. If an NGC is successful and provides value for its members, the delivery right may appreciate in value. If the NGC does not provide

The **Missouri Agriculture and Small Business Development Authority** (MASBDA) provides up to a 50% tax credit for producer investment in New Generation Cooperatives. To be considered an eligible “New Generation Cooperative” under the MASBDA program, a producer-group must be organized as a Missouri cooperative under Chapters 274 or 357 of the Missouri Statutes. Additionally, the business must be considered a “development facility” or a “renewable fuel production facility”, which are defined in Chapter 348 of the Missouri Statutes. Please note that the MASBDA statutory definition of New Generation Cooperative is more broad than the definition presented in the article to the right. For information about the New Generation Cooperative Producer Tax Credit and other MASBDA programs, call 573-751-2129 or go to www.mda.state.mo.us/a7a.htm

The **Missouri Department of Economic Development** also has a tax credit program for New Generation Cooperatives which is designed to induce private investment in food-related value-added projects. For information about the DED New Generation Cooperative Tax Credit, call 573-751-4849 or see: www.ecodev.state.mo.us/cd/nap/default2.html

value to its members, the value of the delivery right may decrease. Unlike stock in a public corporation, however, the delivery right has a very limited resale or trading market. To comply with antitrust, securities, tax and incorporation statutes, NGC bylaws limit transfer to other producers and usually require the board of directors to approve any transfer.

5. Marketing Agreement Entered Into Between

Member and Cooperative. Upon purchasing delivery rights, members are required to sign a marketing contract outlining the duties of both the members and the cooperative toward each other with respect to the delivery, quality, and quantity of producers' commodities. These contracts are usually evergreen contracts, meaning they are for specified periods of time (from one to five years). They are renewed automatically unless either party gives notice to the other within a window of time specified in the marketing agreement. The marketing agreement often specifies the high quality standards required of members' commodities, especially in cooperatives producing consumer-level goods. The marketing agreement outlines the specific quality required to be delivered, how quality will be measured, and the producer's rights and obligations if the quality standard is not met.

Members and their NGC share three primary legal relationships. Members must purchase a share of common stock or other membership interest to enable them to vote in all decisions set forth in the bylaws. Members also purchase delivery rights, which are both a right and an obligation to deliver. The delivery rights are evidenced by legal

documentation and are usually transferable upon approval from the board of directors. Finally, members must sign a marketing agreement when purchasing delivery rights and voting stock. The marketing agreement defines the rights and obligations of both the member and cooperative toward each other with respect to the delivery of commodities from the member to the cooperative.

As a result, members must pay money to the cooperative for both the voting stock (usually very minimal) and the delivery rights (amount varies on project size, minimum and maximum purchase requirements, and the specific amount of commodity to be delivered by the member). Members also are required to deliver the specified quality and quantity of commodities at pre-specified intervals for the length of the marketing agreement (which is usually, through evergreen contracts, perpetual in nature). The cooperative, in turn, is required to pay members a pre-specified price for the commodities delivered (usually a formula price based on spot market prices at a specified exchange, with additions or subtractions based on quality). The cooperative is also required to return any profits to members on a pre-specified schedule determined by the board of directors. Depending on operating cash requirements, the timeline for returning profits could be immediately. Due to securities law issues, cooperatives are not actively involved in the transfer of delivery rights. The cooperative usually requires approval from the board of directors before any transfer is complete, and sometimes an outside broker handles the actual transfer of delivery rights.

See the next issue of INNOVATIONS for more information on New Generation Cooperatives.

Resources for New Generation Cooperatives:

University of Wisconsin Cooperatives Center

<http://www.wisc.edu/uwcc/>
Look under "Information About Cooperatives" then choose "Agricultural" then "New Generation Cooperatives"

Academic articles by

Dr. Mike Cook, University of Missouri

<http://www.ssu.missouri.edu/Faculty/MCook/publicat.htm>
Dr. Cook is an expert on organizational design of cooperatives and other producer-owned and – controlled organizations.

Illinois Institute of Rural Affairs Directory of New Generation Cooperatives

<http://www.iira.org/acap/newgencoop/>

Co-op Fever: A Rural Developer's Guide to Forming Cooperatives"

<http://www.rurdev.usda.gov/rbs/pub/sr54/sr54.htm>
Written for USDA/Rural Development by Bill Patrie, cooperative developer in North Dakota.

What are the advantages for producer-members of an NGC?

1. **Price paid for the commodity delivered.** Producers are paid for the commodities delivered to the cooperative. Usually the price is a formula price based on a pre-identified market price and is adjusted up or down based on the quality of the commodities delivered.
 2. **Value-added payments.** Producers are rewarded for the value added to their commodities through processing or other ways the cooperative adds value to members' commodities. The value-added payment is paid on a patronage basis, meaning that producers' payments are based on the number of delivery rights owned.
 2. **Potential appreciation of delivery rights.** Because the cooperative membership is limited to producers who have purchased delivery rights and because delivery rights are transferable, the value of the delivery right may appreciate in value. Likewise, the delivery right could fall in value. The potential appreciation aspect distinguishes the NGC from traditional cooperatives.
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The Ag Innovation Center Staff

Allen Benjamin, business information specialist:**Direct phone: 573-522-9256****Allan_Benjamin@mail.mda.state.mo.us**

Allan joined AIC in July after six years working with innovative producers in Lancaster County, Pennsylvania, where he provided farm management services for the Pennsylvania Farm Bureau. He is pleased to return to Missouri, where he first gained hands on experience working with crops and specialty crops and a variety of livestock operations. Allan also has research experience with dairy, sheep, cattle and equine operations. Allan works with corn, dairy, sheep, goats, nuts, tobacco, and specialty grains projects, seeking to enhance profitability through value-added and other strategies. He also has expertise in capitalization, tax, and employment issues.

Lauri Garman, business information specialist:**Direct phone: 573-522-9214****Lauri_Garman@mail.mda.state.mo.us**

Lauri has been with the Missouri Department of Agriculture for nearly two years. With degrees in business administration from Pennsylvania State University and general agriculture from the University of Missouri, Lauri also draws on her experience managing the family sheep farm. Lauri oversees the AIC's USDA/Rural Business Opportunities Grant, which assists low-resource producers in the Bootheel. Lauri's responsibilities include working with producers of beef, agroforestry, produce, poultry, and specialty livestock. She also works with producers interested in pursuing wholesale and institutional marketing opportunities.

Sarah Shultz, business information specialist:**Direct phone: 573-522-9213****Sarah_Shultz@mail.mda.state.mo.us**

Sarah has worked for the Missouri Department of Agriculture since May 1999. Prior to joining the AIC staff in February, she served as a commodity promotion specialist in the Market Development Division. Sarah received her agricultural education degree from the University of Missouri, where she is also pursuing an MPA. Sarah grew up on a diversified crop and livestock farm near Centralia and works with producers involved in the pork, soybean, aquaculture, rice, cotton and equine industries and individuals interested in food processing. Sarah also coordinates MDA's AgriExpo activities through a USDA/Rural Development grant.

Pam Wiggins, Business Information Specialist:**Direct phone: 660-385-6553****Pam_Wiggins@mail.mda.state.mo.us**

Pam is the newest addition to AIC, joining in August 2001. She is a native to north-central Missouri and is based in Macon at the Thomas Hill Enterprise Center office. She has lived on and managed a farm and has experience as both a counselor and educator. Pam manages AIC databases and works with producers pursuing agritourism strategies. She also works with an agricultural community action planning project to help communities identify potential value-added opportunities.

Deanne Hackman, Director:**Direct phone: 573-522-3454****Deanne_Hackman@mail.mda.state.mo.us**

Deanne joined the Department in September 2000 after practicing law in Macon and working for the University of Missouri Outreach/Extension and College of Agriculture, Food, and Natural Resources. Deanne provides overall administration of AIC and helps producers interested in ethanol production. She also works with group entrepreneurship projects, such as new generation cooperatives, and has expertise in legal issues, organizational structures, and capitalization.

AG INNOVATION CENTER

Missouri Department of Agriculture**P.O. Box 630****Jefferson City, MO 65102-0630**

The Ag Innovation Center staff is here to assist you in starting or expanding your agriculture-based business.

Call us at 1-866-INOVATE.